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The Wall Street Journal

October 20, 2003 Monday

SECTION: POLITICS & POLICY; Pg. A4**LENGTH:** 1315 words**HEADLINE:** U.S. Details Suspicions of Islamist Funding — Investigator Calls Saudi Banking Family a Source of Money Amid Web of Transactions**BYLINE:** By Glenn R. Simpson**BODY:**

Washington — SINCE RAIDING the Northern Virginia offices of a group of Islamic activists in March 2002, federal investigators have said little about why they were suspected of financing terrorism.

Last week, investigators disclosed their suspicions in detail, which boiled down to this: The labyrinthine international transactions used by the activists' network of charities and businesses, some involving money from a billionaire Saudi Arabian banking family, could have "no innocent explanation."

That theme runs throughout an affidavit summarizing the inquiry to justify the original raid, which was released by a federal judge at the request of The Wall Street Journal on Friday.

U.S. Customs Service agent David Kane's sworn statement identifies Saudi Arabia's Al Rajhi banking family as a source of some of the group's funds. While making no criminal allegations directly against the family, its bank or its related charities, Mr. Kane's affidavit puts its financial empire near the center of the sprawling investigation, fueling continuing controversy over prominent Saudis' support for Islamic activism. Mr. Kane's assertions also could complicate the legal situation of the Rajhi clan and their bank, which are defendants in civil litigation stemming from the terrorist attacks of Sept. 11, 2001.

Mr. Kane said the Virginia activists' Herndon, Va.-based network, known as the **Safa** Group, is suspected of illegally supporting two Palestinian groups designated as terrorists by the U.S.: Hamas and the Palestinian Islamic Jihad. The group also is suspected of tax fraud, possibly including sheltering income for the Rajhi family, and of obstructing an Internal Revenue Service audit, Mr. Kane said.

The Rajhi family controls Al Rajhi Banking & Investment Corp., one of the largest banks in the Middle East, with \$16.7 billion of assets. According to Forbes magazine, family leader Sulaiman bin Abdul al Rajhi, 83 years old, is the 192nd-richest man in the world, with an estimated \$2.1 billion of assets. Al Rajhi Banking & Investment has filed a libel suit against The Wall Street Journal Europe in the United Kingdom over an article published in February 2002.

"I believe that one source of funds flowing through the **Safa** Group is from the wealthy Al Rajhi family in Saudi Arabia," Mr. Kane said in his affidavit. He said one of group's charities, the **SAAR** Foundation, was named for the initials of a family patriarch, Sulaiman Abdul Aziz al Rajhi, while a relative and family bank executive named Abdullah Sulaiman al Rajhi is president of one of the **Safa** Group's businesses. Mr. Kane also alleged that some of the **Safa** Group's charitable transactions involved an Al Rajhi corporate bank account and another Rajhi family member.

In one incident, IRS examiners contacted groups listed as receiving grants from the **Safa** Group's Humana Charitable Trust in 1997 and 1998, but the recipients denied knowledge of their purported benefactors. Confronted by the IRS, one of the **Safa** Group's leaders, Pakistani physicist Yaqub Mirza, "advised the examiners that Humana's funds were distributed to Al Rajhi Charities in Saudi Arabia and then to the beneficiaries through Al Rajhi." Mr. Mirza also told IRS officials

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that one the group's main charities, the **SAAR** Foundation, had been set up "because the members of the Al Rajhi family believed that, by investing in the United States, they could earn a higher yield on the funds collected prior to the time they were disbursed for charitable purposes."

To date, Al Rajhi Banking & Investment hasn't acknowledged that any member of the family provided funding to the **Safa** Group. Christopher Curran, a U.S. lawyer for the Rajhi family, declined to comment on the matter. Nancy Luque, a lawyer for the Virginia financiers, insisted her clients committed no crimes and asserted that the affidavit includes no evidence the group supported terrorism and that it shows the investigation has reached a dead end.

The Herndon raid was the culmination of several U.S inquiries of the **Safa** Group that began in the 1990s. The current probe began in December 2001. Mr. Kane said the Virginia activists long have "maintained a financial and ideological relationship" with associates of Palestinian Islamic Jihad and Hamas. The activists sent "financial support to those same organizations by layering financial transactions through charities and businesses within the **Safa** Group to conceal and disguise the fact that they were continuing to send money from the United States to the Middle East to fund international terrorism," Mr. Kane said.

The affidavit includes a wealth of examples of individuals associated with the **Safa** Group expressing ideological support for PIJ and Hamas, and that appears to be the root of federal investigators' suspicions. But it offers no example of money from the **Safa** Group financing a terrorist operation. Indeed, much of the affidavit concerns tax-related allegations. Mr. Kane accused the group of "using the **Safa** Charities to take advantage of exemptions from federal income taxation while abusing the requirements for tax-exempt status" and of moving money to "create the false impression they are publicly supported and operating for an exempt purpose." Mr. Kane also stated that he believes some individuals in the group cheated on their personal tax returns.

The **Safa** Group spawned more than 100 charities, businesses and other entities and created a maze of complicated transactions "that made it virtually impossible for federal investigators to ascertain where the money that finally left the web of the **Safa** Group ultimately went," Mr. Kane said. Millions of dollars flowed to the Isle of Man, a tax haven off the coast of England, "from which point the trail cannot practically be followed."

Mr. Kane added: "There appears to be no innocent explanation for the use of layers and layers of transactions between **Safa** Group companies and charities other than to throw law enforcement authorities off the trail. . . . Accordingly, I and the other agents involved in this investigation believe that some of the moneys that move overseas are destined to the PIJ and other terrorist organizations."

Some of the **Safa** Group's initial funding dates to 1980, when a member of the group carried almost \$3.4 million in cash into the U.S. from Saudi Arabia, Mr. Kane said.

The initial investigation was launched in the early 1990s as part of a probe of suspected Palestinian terrorists in Tampa, Fla., including former University of South Florida Prof. Sami al-Arian, now under indictment as an alleged PIJ leader. The **Safa** Group had extensive dealings with Mr. Arian, in particular through Taha Jaber al-**Alwani**, an Islamic scholar who has been extensively involved in training Muslim clerics for the U.S. military.

Mr. **Alwani** "has long been a supporter of PIJ," Mr. Kane said. In the late 1980s, Mr. **Alwani** signed a religious ruling, known as a fatwa, stating that "Jihad is the only way to liberate Palestine; that no person or authority may settle the Jews on the land of Palestine or cede to them any part thereof, or recognize any right therein for them."

Mr. **Alwani** previously has denied supporting terrorism and did so again last week through Ms. Luque, his attorney.

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The Money Trail

U.S. investigators are probing transactions between the Rajhi banking family and a Virginia-based group that authorities suspect funneled money to two U.S.-designated terrorist groups. An introduction to the Al Rajhi Banking & Investment Corp.:

U.S. Details Suspicions of Islamist Funding — Investigator Calls Saudi

- Founded: 1978
- Based: Saudi Arabia
- Net assets: \$16.7 billion
- Size: Largest branch network in Saudi Arabia, with more than 500 branches and 910 ATMs
- Chairman: Sulaiman Abdul Aziz Al Rajhi, 83, estimated to be the 192nd richest man in the world with \$2.1 billion in assets

Sources: Al Rajhi Banking & Investment Corp.; Forbes magazine

NOTES:

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